

Message Text

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ACTION XMB-04

INFO OCT-01 EA-10 ISO-00 EB-07 TRSE-00 COME-00 OMB-01

CIEP-02 AID-05 CIAE-00 INR-07 NSAE-00 FRB-01 STR-04

/042 W

----- 118290

R 221023Z APR 75

FM AMCONSUL NAHA

RUEHC/SECSTATE WASHDC 1690

INFO AMEMBASSY TOKYO

UNCLAS NAHA 174

E.O. 11652 N.A.

TAGS: BPRO, BEXP, JA

SUBJ: BANK OF RYUKYUS APPLICATION FOR NEW CFF

REF: STATE 091243

1. SUMMARY. AMCONSUL BELIEVES THAT ESTABLISHMENT OF CFF WITH BANK OF THE RYUKYUS WOULD MEET EXIMBANK CFF POLICY GOALS OF ASSISTING MEDIUM AND SMALL U.S. FIRMS TO INCREASE THEIR EXPORT SALES, AND WOULD PROVIDE A STRONG IMPETUS TO INCREASING U.S. DIRECT EXPORTS TO OKINAWA, JAPAN. END SUMMARY.

2. U.S. DIRECT EXPORTS TO OKINAWA IN 1974 WERE ABOUT \$40 MILLION. DURING SAME YEAR, OKINAWA BOUGHT OVER \$500 MILLION IN GOODS AND SERVICES FROM MAINLAND JAPAN. AMCONSUL BELIEVES AN EXIMBANK COOPERATIVE FINANCING

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FACILITY OF \$2 MILLION WITH THE BANK OF THE RYUKYUS WOULD PROVIDE STRONG IMPETUS TO INCREASING U.S. DIRECT EXPORTS TO OKINAWA.

3. DURING 27-YEAR U.S. GOVERNMENT ADMINISTRATION OF OKINAWA, OKINAWA BECAME FAMILIAR WITH U.S. PRODUCTS AND U.S. SPECIFICATIONS. RELATIVELY FREE TRADE CONTRIBUTED TO STRONG EXPORT MARKET FOR U.S. GOODS, OVER \$100 MILLION IN SOME YEARS PRIOR TO REVERSION. WITH REVERSION TO JAPANESE UNCLASSIFIED

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ADMINISTRATION IN 1972, JAPANESE TARIFF AND NON-TARIFF

BARRIERS WERE EXTENDED TO OKINAWA, MAINLAND JAPANESE FIRMS PUSHED JAPANESE PRODUCTS WITH STRONG DISTRIBUTION NETWORKS AND GOOD FINANCING. HOWEVER, NOW, THREE YEARS AFTER REVERSION, OKINAWAN AND AMERICAN TRADERS HERE CAN HANDLE TARIFF AND NON-TARIFF BARRIERS, AMERICAN GOODS ARE COMPETITIVE BOTH IN PRICE AND QUALITY. AMERICAN SHIPPING COMPANIES (AMERICAN PRESIDENT LINES, STATES LINES, SEALAND, LYKES LINES, ETC.) PROVIDE REGULAR DIRECT AND INDIRECT SERVICE TO OKINAWA FROM U.S. WEST, EAST, AND GULF COASTS. FLYING TIGER, NORTHWEST, AND PANAM PROVIDE AIR CARGO SERVICE. MEDIUM-SIZED END-USER OKINAWAN

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FIRMS ARE LOOKING FOR U.S. PRODUCTS FOR DIRECT IMPORT FROM SMALL AND MEDIUM-SIZED U.S. FIRMS.

4. ALTHOUGH A PART OF JAPAN, OKINAWA IS NOT CONSIDERED AS "DEVELOPED" AS THE MAJOR INDUSTRIAL CONGLOMERATIONS OF MAINLAND JAPAN. THERE ARE MANY SMALL AND MEDIUM-SIZED FIRMS WITH ANNUAL SALES OF \$2 MILLION TO \$5 MILLION. LARGER OKINAWAN FIRMS HAVE ANNUAL SALES OF ABOUT \$20 MILLION, AND, IN ONE CASE, ABOUT \$65 MILLION. THESE FIRMS ARE ALMOST ALL BANKING CLIENTS OF THE BANK OF THE RYUKYUS, WHICH IS A "LOCAL" BANK, AS OPPOSED TO THE MAJOR "CITY" BANKS, WITH THEIR GIANT CORPORATE CLIENTS, IN TOKYO AND OSAKA. AMCONSUL BELIEVES ESTABLISHMENT OF CFF WITH BANK OF RYUKYUS WOULD MEET CFF PROGRAM POLICY GOALS OF ASSISTING SMALL AND MEDIUM U.S. FIRMS TO INCREASE THEIR EXPORT SALES.

5. FOLLOWING ARE SOME OF INQUIRIES AMCONSUL HAS RECEIVED ABOUT U.S. PRODUCTS WHICH MIGHT FALL UNDER CFF FINANCING GUIDELINES (SOME ARE UNDER ACTIVE CONSIDERATION, OTHERS HAVE BEEN "POSTPONED" BECAUSE OF LACK OF FINANCING OR OVERTAKEN BY EVENTS):

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(A) COMMERCIAL RESTAURANT AND HOTEL EQUIPMENT (EST. UNCLASSIFIED

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VALUE \$100,000. ACTIVE CONSIDERATION);

(B) APPLIANCES TO BE INSTALLED AND SOLD WITH NEW HOUSING UNITS (ABOUT 6,000 UNITS PLANNED FOR JAPAN FISCAL YEAR 1975, ACTIVE).

(C) AIR-CONDITIONING UNITS FOR 400-ROOM HOTEL ("OVERTAKEN").

(D) MACHINERY FOR ROCK-CRUSHING PLANT (POSTPONED);

(E) MACHINERY TO EXPAND ICE-CREAM PLANT FACILITIES (\$400,000; ACTIVE, BUT TIME GROWING SHORT).

(F) COMPUTER SYSTEMS TO REGULATE ENERGY USE IN BUILDINGS
(ACTIVE, VALUE UNDETERMINED).

(G) INTERIOR CONSTRUCTION MATERIALS, FIXTURES, MACHINERY
FOR FAST-FOOD OUTLETS UNDER FRANCHISE WITH U.S. FIRM
(ACTIVE, EST. VALUE \$250,000).

6. AMCONSUL BELIEVES ESTABLISHMENT OF CFF WITH BANK OF
RYUKYUS WOULD GIVE STRONG SUPPORT TO OUR EXPORT PROMOTION
PROGRAM BY PROVIDING MUCH-NEEDED MEDIUM-TERM FINANCING.
WE EXPECT CFF PROGRAM WOULD HAVE SPIN-OFF OR ACCELERATOR
EFFECT SO THAT INCREASE IN U.S. EXPORTS TO OKINAWA WOULD
BE MORE THAN AMOUNT SUPPORTED BY CFF FUNDS. IN ADDITION,

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INCREASED EXPORTS TO OKINAWA COULD HAVE FURTHER SPIN-OFF
EFFECT OF ENABLING OKINAWAN FIRMS TO INTRODUCE AMERICAN
GOODS INTO KYUSHU MARKET (POP. TEN MILLION), WHICH IS NOW
LARGELY UNTOUCHED BY AMERICAN FIRMS.

7. IF CFF FOR BANK OF THE RYUKYUS APPROVED,
WOULD APPRECIATE BEING INFORMED ASAP SO AS TO ASSIST IN
GETTING PROGRAM OFF THE GROUND.

FURNESS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NAHA00174
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750140-1156
From: NAHA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750429/aaaabapv.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 091243
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 06 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 OCT 2003 by SilvaL0>; APPROVED <02 JAN 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANK OF RYUKYUS APPLICATION FOR NEW CFF
TAGS: BPRO, BEXP, JA
To: n/a
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006